

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Munro Township	County Cheboygan
Fiscal Year End March 31, 2006	Opinion Date May 23, 2006	Date Audit Report Submitted to State June 2, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | | |
|-------------------------------------|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| YES | NO | Check each applicable box below. (See instructions for further detail.) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Daniel R. Nieland C.P.A.		Telephone Number 231-627-4396	
Street Address 201 South Main Street		City Cheboygan	State MI
Authorizing CPA Signature 		Printed Name Daniel R. Nieland C.P.A.	Zip 49721
		License Number 12250	

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDING
MARCH 31, 2006

DANIEL R. NIELAND

CERTIFIED PUBLIC ACCOUNTANT

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MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
AND
MICHIGAN ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

Supervisor and Members Of
The Township Board of Trustees
Munro Township
Cheboygan County, Michigan 49721

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of Munro Township, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of government activities, each major fund and the aggregate remaining fund information of Munro Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally in the United States of America.

As described in the footnotes, Munro Township has implemented a new financial reporting model, as required by the provisions of *GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, as amended and interpreted as of March 31, 2006.

In accordance with *Governmental Auditing Standards*, I have also issued my report dated May 23, 2006, on my consideration of Munro Township's internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing; and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this reporting considering the results of my audit.

The Management's Discussion and Analysis, and budgetary comparison information on pages 4 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Munro Township's basic financial statements. The schedules listed as other supplemental information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of Munro Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, based on my audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CERTIFIED PUBLIC ACCOUNTANT

May 23, 2006

Cheboygan, Michigan 49721

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2006

The Management's Discussion and Analysis for Munro Township covers the Township's financial performance during the year ended March 31, 2006.

Financial Highlights

Our financial status remained stable over the last year. Net assets increased from \$427,317 to \$437,500 for an increase of \$10,183.

Overall revenue was \$106,011. Taxable value increased by approximately \$12,665,070. We incurred no new debt.

Overview of Financial Statements

This annual report consists of three parts, Management's Discussion and Analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Entity-Wide Financial Statements

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2006

Entity-Wide Financial Statements (continued)

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All activities of the Township are reported as governmental activities, and there are no business type activities. Governmental activities include the General Fund, Cemetery Fund, Road Fund and Liquor Fund.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on significant funds and not the Township as a whole. In the section for other supplement information, the General Fund revenue and expenditures are shown on the line item basis. Funds are used to account for specific activities or funding sources. Law requires some funds. The Township Board may also create them. Funds are established to account for funding and spending financial resources and to show proper expenditures of those resources.

The Township has the following funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Cemetery Fund, Road Fund and Liquor Fund.

Financial Analysis of the Township as a Whole

Our cash position in all governmental activities remains strong. Year-end cash position of all funds is as follows:

General Fund	\$190,681
Cemetery Fund	11,979
Road Fund	423
Liquor Fund	<u>2,002</u>
Total Government Fund Cash	<u>\$205,085</u>

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2006

Financial Analysis of the Township's Funds

Individual fund balances remain solid, as indicated by year-end balance and net change reflected below:

	Balance March 31, <u>2005</u>	Balance March 31, <u>2006</u>	Increase (Decrease)
General Fund	\$173,412	\$190,486	\$ 17,074
Cemetery Fund	11,374	11,979	605
Road Fund	423	423	0
Liquor Fund	<u>1,755</u>	<u>2,002</u>	<u>247</u>
Totals	<u>\$186,964</u>	<u>\$204,890</u>	<u>\$ 17,926</u>

Capital Assets and Long-Term Debt Activity

The Township's total capital outlay in governmental funds was \$10,717. There was no long-term debt activity either new borrowing or principal repayment.

Factors Affecting Future Operations

We anticipate slow but steady growth in the revenues. Our cash balances are maintained to support expenditures and increased costs. For the fiscal year ending March 31, 2007, we budgeted increases for:

1. Designate \$5,000 to the Pellston Fire Department for new fire equipment
2. Purchase and plant trees in the cemetery
3. Increase in fire protection fees per the new fire boundary lines between the Pellston Fire Department and the Inverness Fire Department.

Contacting the Township's Management

This financial report is designed to provide our citizens, taxpayers, and other interested parties with a general overview of Munro Township's finances and also to show the accountability for the money it receives. If you have questions about this report or need additional financial information, contact Munro Township at 9075 Levering Road, Levering, Michigan 49755.

GENERAL PURPOSE FINANCIAL STATEMENTS

GENERAL PURPOSE FINANCIAL STATEMENTS
MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHINGAN
STATEMENT OF NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Primary Government Government Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash Checking	\$ 26,428
Cash Savings	135,941
Cash Certificates	40,000
Taxes Receivable	<u>2,716</u>
Total Current Assets	205,085
NON-CURRENT ASSETS:	
CAPITAL ASSETS:	
Land	9,766
Buildings	267,681
Equipment	23,081
Accumulated Depreciation	<u>(68,333)</u>
Total Non-Current Assets	<u>232,195</u>
Total Assets	<u>437,280</u>
LIABILITIES:	
Accounts Payable	<u>195</u>
Total Liabilities	<u>195</u>
NET ASSETS:	
Invested in Capital Asset, Net of Related Debt	232,195
Unrestricted	<u>204,890</u>
TOTAL NET ASSETS	<u>\$437,085</u>

The accompanying notes are an integral
part of these financial statements.

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING MARCH 31, 2006

					Net (Expense) Revenue And Changes In <u>Net Assets</u>
					<u>Primary Government</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Government Activities</u>
PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES:					
Legislative	\$ 11,520	\$ 0	\$ 0	\$ 0	\$ (11,520)
General Services and Administration	54,742	0	0	0	(54,742)
Public Safety	23,660	0	0	0	(23,660)
Public Works	<u>5,906</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,906)</u>
TOTAL GOVERNMENT ACTIVITIES	<u>95,828</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(95,828)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 95,828</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	(95,828)
GENERAL REVENUES:					
Taxes					52,016
State Shared Revenues					49,637
Interest and Rentals					3,858
Miscellaneous					500
TRANSFERS					<u>0</u>
TOTAL GENERAL REVENUES AND TRANSFERS					106,011
CHANGE IN NET ASSETS					10,183
NET ASSETS - BEGINNING					<u>426,902</u>
NET ASSETS - ENDING					<u>\$437,085</u>

The accompanying notes are an integral
part of these financial statements.

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
BALANCE SHEET
FOR THE YEAR ENDING MARCH 31, 2006

	General <u>Fund</u>	Cemetery <u>Fund</u>	Liquor <u>Fund</u>	Road <u>Fund</u>	Total Government <u>Funds</u>
ASSETS:					
Cash Checking	\$ 12,024	\$ 11,979	\$ 2,002	\$ 423	\$ 26,428
Cash Savings	135,941	0	0	0	135,941
Cash Certificates of Deposit	40,000	0	0	0	40,000
Taxes Receivable	<u>2,716</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,716</u>
TOTAL ASSETS	<u>190,681</u>	<u>11,979</u>	<u>2,002</u>	<u>423</u>	<u>205,085</u>
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts Payable	<u>195</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>195</u>
Total Liabilities	195	0	0	0	195
FUND BALANCE:					
General Fund	190,486	0	0	0	190,486
Cemetery Fund	0	11,979	0	0	11,979
Liquor Fund	0	0	2,002	0	2,002
Road Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>423</u>	<u>423</u>
Total Fund Balance	<u>190,486</u>	<u>11,979</u>	<u>2,002</u>	<u>423</u>	<u>204,890</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$190,681</u>	<u>\$11,979</u>	<u>\$ 2,002</u>	<u>\$ 423</u>	<u>\$205,085</u>

The accompanying notes are an integral
part of these financial statements.

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2006

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$204,890
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>232,195</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$437,085</u>
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MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2006

	General <u>Fund</u>	Cemetery <u>Fund</u>	Liquor <u>Fund</u>	Road <u>Fund</u>	Total Government <u>Funds</u>
REVENUE:					
Taxes	\$ 52,016	\$ 0	\$ 0	\$ 0	\$ 52,016
State Shared Revenue	49,046	0	591	0	49,637
Charges for Services	0	0	0	0	0
Interest & Rentals	3,753	105	0	0	3,858
Miscellaneous	<u>0</u>	<u>500</u>	<u>0</u>	<u>0</u>	<u>500</u>
Total Revenue	104,815	605	591	0	106,011
EXPENDITURES:					
Legislative	11,520	0	0	0	11,520
Elections	0	0	0	0	0
General Services and Administration	46,999	0	0	0	46,999
Public Safety	23,316	0	344	0	23,660
Public Works	<u>5,906</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,906</u>
Total Expenditures	<u>87,741</u>	<u>0</u>	<u>344</u>	<u>0</u>	<u>88,085</u>
OTHER FINANCING SOURCES:					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	17,074	605	247	0	17,926
FUND BALANCE - BEGINNING	<u>173,412</u>	<u>11,374</u>	<u>1,755</u>	<u>423</u>	<u>186,964</u>
FUND BALANCE - ENDING	<u>\$190,486</u>	<u>\$ 11,979</u>	<u>\$ 2,002</u>	<u>\$ 423</u>	<u>\$204,890</u>

The accompanying notes are an integral
part of these financial statements.

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING MARCH 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 17,926
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation Expense	\$ <u>7,743</u>	<u>7,743</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 10,183</u>

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2006

	Current Tax Collection <u>Fund</u>
ASSETS:	
Cash	\$ <u>15</u>
TOTAL ASSETS	\$ <u><u>15</u></u>
 LIABILITIES:	
Due Other Funds	\$ <u>15</u>
TOTAL LIABILITIES	\$ <u><u>15</u></u>

The accompanying notes are an integral
part of these financial statements.

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Munro in Cheboygan, Michigan, have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) which do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

Munro Township is an incorporated Township, which operates under a Supervisor – Board form of government. The Township provides the following services: public safety, highways and streets, sanitation, public improvements and general administrative services.

The Township has considered all potential component units in valuating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement 14 of the Government Accounting Standards Board (GASB), *The Financial Reporting Entity*. The basic criteria includes the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township. There are no component units to be included in these statements.

The financial reporting entity of Munro Township includes all funds and accounts of the Township.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT -WIDE FINANCIAL STATEMENTS

Munro Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. Munro Township does not have any activity that is classified as business-type activities.

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the government -wide Statement of Net Assets, both the governmental activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government -wide Statement of Activities reports both the gross and net cost of each of Munro Township's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business -type activity. Operating grants include operating – specific and discretionary (either operating or capital) grants while the capital grants column reflects capital – specific grants. The net costs (by function or business – type activity) are normally covered by general revenue.

The government -wide focus is more on the sustainability of Munro Township as an entity and the change in net assets resulting from the current year's activities. The effect of interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- General Fund – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- Road Fund – The Road Fund is used to account for resources to be used for road development and improvement. Revenues can be from both charges for services and transfer from the General Fund.
- Cemetery Fund – This fund is for funds to be set aside for ongoing expenses and future improvements of the cemetery.
- Liquor Fund – This is a State mandated fund to fund liquor establishment inspection.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets

All governmental funds are under formal budgetary control. Budgets shown in the financial statements as "GAAP Basis" are adopted on a basis consistent with generally accepted accounting principles (GAAP) and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved and amended by the Township Board. Budgets are adopted on the departmental level and control is exercised on that level.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$250 and an estimated useful life in excess of five years.

All capital assets are valued historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land Improvements	20 years
Building, Structures and Improvements	40 years
Equipment	5-10 years

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes

Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Interfund Activity

All interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Vacation and Sick Leave

The Township has no liability for accumulated vacation or sick leave.

Implementation of New Accounting Principles

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – And Management’s Discussion And Analysis – For State And Local Governments* (GASB No. 34). Some of the significant changes in the Statement include the following:

- For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations.

- Financial statements prepared using full accrual accounting for the entire Townships’ activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE B – COMMON CASH ACCOUNTS AND SHORT-TERM INVESTMENTS

Cash equity in the common bank account of the Township is utilized by the various funds is as follows:

	<u>Checking</u>	<u>Savings</u>	Certificate Of <u>Deposit</u>
General	\$ 12,024	\$135,941	\$ 40,000
Cemetery	11,979	0	0
Liquor	2,002	0	0
Road	<u>423</u>	<u>0</u>	<u>0</u>
	<u>\$ 26,428</u>	<u>\$135,941</u>	<u>\$ 40,000</u>

These deposits and interest payment accounts are with local financial institutions. All accounts are in the name of the Township. Interest is recorded when deposits mature or is credited to the applicable account.

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities or guaranteed by the Government National Mortgage Association; United States government or Federal Agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal or direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature no more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in the financial institutions located in states other than Michigan.

The Township deposits are in accordance with statutory authority. The Governmental Account Standards Board (GASB) Statement Number 3 risk disclosures for the Township cash deposit are as follows:

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE B – COMMON CASH ACCOUNTS AND SHORT-TERM INVESTMENTS
(continued)

<u>Deposits</u>	<u>Carrying Amount</u>
Insurance (FDIC)	\$100,000
Uninsured	<u>102,369</u>
	<u>\$202,369</u>

NOTE C – CAPITAL ASSETS

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, <u>2005</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, <u>2006</u>
GOVERNMENTAL ACTIVITIES:				
Land	\$ <u>9,766</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>9,766</u>
Total Capital Assets, Not Being Depreciated	<u>9,766</u>	<u>0</u>	<u>0</u>	<u>9,766</u>
Buildings and Improvements	256,964	10,717	0	267,681
Furniture and Equipment	<u>23,081</u>	<u>0</u>	<u>0</u>	<u>23,081</u>
Total Capital Assets Being Depreciated	<u>280,045</u>	<u>10,717</u>	<u>0</u>	<u>290,762</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(46,253)	(5,952)	0	(52,205)
Furniture and Equipment	<u>(14,337)</u>	<u>(1,791)</u>	<u>0</u>	<u>(16,128)</u>
Total Accumulated Depreciation	<u>(60,590)</u>	<u>(7,743)</u>	<u>0</u>	<u>(68,333)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$229,221</u>	<u>\$ 2,974</u>	<u>\$ 0</u>	<u>\$232,195</u>

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE C – CAPITAL ASSETS (continued)

A depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ <u>7,743</u>
	\$ <u><u>7,743</u></u>

NOTE D - TRANSFERS

There were no transfers made between funds.

NOTE E – BUDGET VARIANCES

Budgets are adopted on the departmental level. The budgets shown in the section for other supplemental information are shown by line item for information only. Therefore, negative variance is significant on the departmental basis. There are no negative variances on the departmental basis.

GENERAL FUND

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF DETAILED REVENUES – BUDGET AND ACTUAL
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>
REVENUES:		
Taxes:		
Current Property Tax	\$ 37,637	\$ 36,991
Property Tax Administration Fees	12,548	14,750
Penalty and Interest	<u>5</u>	<u>275</u>
	50,190	52,016
State Shared:		
Sales and Use Tax	40,000	45,859
Other	<u>2,929</u>	<u>3,187</u>
	42,929	49,046
Interest	1,040	3,378
Rentals, Refunds, Rebates and Miscellaneous	<u>101</u>	<u>375</u>
TOTAL REVENUES	<u>\$ 94,260</u>	<u>\$104,815</u>

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF DETAILED EXPENDITURES – BUDGET AND ACTUAL
FOR THE YEAR ENDING MARCH 31, 2006

EXPENDITURES:	<u>Budget</u>	<u>Actual</u>
Legislative:		
Township Board:		
Wages	\$ 1,800	\$ 1,710
Conferences and Workshops	1,950	660
Supplies	100	78
Printing and Publishing	1,000	861
Memberships and Dues	800	730
Insurance	4,800	4,443
Retirement	2,500	2,318
Miscellaneous	500	20
Legal and Accounting	1,200	700
Transportation	<u>100</u>	<u>0</u>
Total Legislative	<u>14,750</u>	<u>11,520</u>
General Government:		
Executive:		
Salary – Supervisor	3,500	3,500
Transportation	500	500
Printing and Publishing	2,100	1,729
Rent	600	600
Miscellaneous	375	375
Convention Expenses	650	518
Office Supplies	200	0
Capital Outlay	<u>0</u>	<u>0</u>
	<u>7,925</u>	<u>7,222</u>
Elections:		
Wages	1,200	0
Office Supplies	200	0
Printing and Publishing	300	0
Contracted Services	1,500	0
Capital Outlay	<u>500</u>	<u>0</u>
	<u>3,700</u>	<u>0</u>
Assessor:		
Salary	<u>8,304</u>	<u>8,304</u>

The accompanying notes are an integral part of these financial statements.

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF DETAILED EXPENDITURES – BUDGET AND ACTUAL
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>
EXPENDITURES:		
General Government (continued):		
Clerk:		
Salary	\$ 6,445	\$ 6,445
Office Supplies	700	248
Transportation	300	300
Rent	600	600
Capital Outlay	<u>0</u>	<u>0</u>
	<u>8,045</u>	<u>7,593</u>
Board of Review:		
Wages	750	708
Other	<u>100</u>	<u>0</u>
	<u>850</u>	<u>708</u>
Treasurer:		
Salary	8,245	8,245
Office Supplies	700	344
Transportation	300	300
Office Rent	600	600
Miscellaneous	300	315
Capital Outlay	<u>200</u>	<u>0</u>
	<u>10,345</u>	<u>9,804</u>
Township Hall:		
Salaries and Wages	600	0
Contract Services	500	99
Operating Supplies	100	114
Utilities	1,000	127
Capital Outlay	<u>11,000</u>	<u>10,717</u>
	<u>13,200</u>	<u>11,057</u>

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GENERAL FUND
STATEMENTS OF DETAILED EXPENDITURES – BUDGET AND ACTUAL
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>
EXPENDITURES:		
General Government (continued):		
Cemetery:		
Supplies	\$ 150	\$ 71
Contracted Services	<u>2,500</u>	<u>2,240</u>
	<u>2,650</u>	<u>2,311</u>
Total General Government	<u>55,019</u>	<u>46,999</u>
Public Safety:		
Fire Department:		
Contracted Services	22,387	22,386
Wages	800	930
Capital Outlay	0	0
Supplies	0	0
Utilities	<u>0</u>	<u>0</u>
Total Public Safety	<u>23,187</u>	<u>23,316</u>
Public Works:		
Sanitation:		
Contracted Services	4,500	3,253
Road and Streets:		
Maintenance	<u>25,000</u>	<u>2,653</u>
Total Public Works	<u>29,500</u>	<u>5,906</u>
TOTAL EXPENDITURES	<u>\$122,456</u>	<u>\$ 87,741</u>

SPECIAL REVENUE FUNDS

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
FOR YEAR ENDING MARCH 31, 2006

ASSETS

		Liquor Law		
	<u>Cemetery</u>	<u>Enforcement</u>	<u>Road</u>	<u>Total</u>
ASSETS:				
Cash	\$ 11,979	\$ 2,002	\$ 423	\$ 14,404
TOTAL ASSETS	<u>\$ 11,979</u>	<u>\$ 2,002</u>	<u>\$ 423</u>	<u>\$ 14,404</u>
UNRESERVED:				
Undesignated	<u>\$ 11,979</u>	<u>\$ 2,002</u>	<u>\$ 423</u>	<u>\$ 14,404</u>

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Cemetery</u>	<u>Liquor Law Enforcement</u>	<u>Road</u>	<u>Total</u>
REVENUE:				
State Shared Revenue	\$ 0	\$ 591	\$ 0	\$ 591
Charges for Services	0	0	0	0
Interest	105	0	0	105
Other	<u>500</u>	<u>0</u>	<u>0</u>	<u>500</u>
Total Revenues	<u>605</u>	<u>591</u>	<u>0</u>	<u>1,196</u>
EXPENDITURES:				
Public Safety	0	344	0	344
Public Works	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>344</u>	<u>0</u>	<u>344</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	605	247	0	852
FUND BALANCE – BEGINNING OF YEAR	<u>11,374</u>	<u>1,755</u>	<u>423</u>	<u>13,552</u>
FUND BALANCES – END OF YEAR	<u>\$ 11,979</u>	<u>\$ 2,002</u>	<u>\$ 423</u>	<u>\$ 14,404</u>

CEMETARY MEMORIAL FUND

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
CEMETERY MEMORIAL FUND
BALANCE SHEET
FOR THE MARCH 31, 2006

ASSETS

Cash	<u>\$ 11,979</u>
TOTAL ASSETS	<u>\$ 11,979</u>

FUND EQUITY

Unreserved:	
Undesignated	<u>\$ 11,979</u>
TOTAL FUND EQUITY	<u>\$ 11,979</u>

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
CEMETERY MEMORIAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Sale of Lots	\$ 100	\$ 400	\$ 300
Donations	0	100	100
Interest	<u>50</u>	<u>105</u>	<u>55</u>
Total Revenue	150	605	455
EXPENDITURES:			
Public Works	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 150</u>	605	<u>\$ 455</u>
FUND BALANCES – APRIL 1, 2005		<u>11,374</u>	
FUND BALANCES – MARCH 31, 2006		<u>\$ 11,979</u>	

LIQUOR LAW ENFORCEMENT FUND

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
LIQUOR LAW ENFORCEMENT FUND
BALANCE SHEET
FOR THE YEAR ENDING MARCH 31, 2006

ASSETS

Cash	<u>\$ 2,002</u>
TOTAL ASSETS	<u>\$ 2,002</u>

FUND EQUITY

Unreserved:	
Undesignated	<u>\$ 2,002</u>
TOTAL FUND EQUITY	<u>\$ 2,002</u>

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
LIQUOR LAW ENFORCEMENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE:			
State Shared Revenue	<u>\$ 591</u>	<u>\$ 591</u>	<u>\$ 0</u>
Total Revenue	591	591	0
EXPENDITURES:			
Public Safety:			
Salaries and Wages	800	320	480
Payroll Taxes	<u>62</u>	<u>24</u>	<u>38</u>
Total Expenditures	<u>862</u>	<u>344</u>	<u>518</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (271)</u>	247	<u>\$ 518</u>
FUND BALANCE – APRIL 1, 2005		<u>\$ 1,755</u>	
FUND BALANCE – MARCH 31, 2006		<u>\$ 2,002</u>	

ROAD FUND

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
ROAD FUND
BALANCE SHEET
FOR THE YEAR ENDING MARCH 31, 2006

	<u>ASSETS</u>	
Cash		\$ 423
TOTAL ASSETS		<u>\$ 423</u>
	<u>FUND EQUITY</u>	
Unreserved:		
Undesignated		\$ 423
TOTAL FUND EQUITY		<u>\$ 423</u>

MUNRO TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE:			
Charges for Services	<u>\$ 800</u>	<u>\$ 0</u>	<u>\$ (800)</u>
Total Revenue	800	0	(800)
EXPENDITURES:			
Public Works:			
Contracted Services	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Total Expenditures	<u>1,000</u>	<u>0</u>	<u>1,000</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 200</u>	0	<u>\$ 200</u>
FUND BALANCE – APRIL 1, 2005		<u>423</u>	
FUND BALANCE – MARCH 31, 2006		<u>\$ 423</u>	

OTHER

DANIEL R. NIELAND

CERTIFIED PUBLIC ACCOUNTANT

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AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
AND
MICHIGAN ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

May 23, 2006

Township Board
Munro Township
Cheboygan County, Michigan 49721

Re: Comments and Recommendations

I have examined the general-purpose financial statements of Munro Township, Cheboygan County, for the year ended March 31, 2006, and have issued my report thereon dated May 26, 2006.

However, I would like to make the following recommendation:

General Fund monies are currently accumulated in an account titled IMMA account. The funds should be transferred to a general fund savings. The tax savings should be a zero balance after collection and disbursements have occurred.

I would like to thank the Clerk and Treasurer for their assistance during the audit. I look forward to working with them in the future.

Very Truly Yours,



Daniel R. Nieland, C.P.A.

DRN/jb